OXFORD ANALYTICA

PERMISSIBLE MARKETS PROJECT

SUMMARY OF FISCAL TRANSPARENCY REPORTS 2003

Prepared for

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FISCAL TRANSPARENCY SUMMARIES 2003

CONTENTS

SUMMARY TABLE OF COUNTRY RATINGS 2003

Country	Combined Overall Score[a]	Monetary Transparency Score[b]	Fiscal Transparency Score[b]
Argentina	6.75	3.50	3.25
Brazil	7.75	3.75	4.00
Chile	8.25	4.25	4.00
China	3.75	2.25	1.50
*Colombia	7.00	4.00	3.00
Czech Republic	8.75	4.75	4.00
Egypt	4.50	2.50	2.00
*Hungary	8.50	4.50	4.00
India	6.75	3.50	3.25
Indonesia	5.75	3.25	2.50
Israel	7.00	3.75	3.25
Jordan	4.75	2.75	2.00
Malaysia	6.50	3.25	3.25
Mexico	8.00	4.25	3.75
Φ Morocco	5.00	2.00	3.00

Country	Combined Overall Score	Monetary Transparency Score	Fiscal Transparency Score
Pakistan	5.00	2.50	2.50
Peru	7.25	4.00	3.25
Philippines	7.25	3.75	3.50
*Poland	8.25	4.25	4.00
Russia	6.00	3.25	2.75
South Africa	7.75	4.25	3.50
Φ South Korea	7.75	4.00	3.75
Sri Lanka	6.25	3.25	3.00
Taiwan	6.75	3.75	3.00
Thailand	6.25	3.50	2.75
Turkey	7.00	4.00	3.00
Venezuela	4.75	2.50	2.25

Notes

a The combined score for transparency is based on a maximum potential score of 10.

b The scores for both monetary and fiscal transparency are based on a maximum potential score of 5.

* The independent assessment of fiscal transparency for this country is available via the *eStandardsForum.com* website.

Φ The independent assessment of monetary transparency for this country is available via the *eStandardsForum.com* website.

Fiscal Transparency: Ratings Breakdown

Country	Score [6]	Section I	Section II	Section III	Section IV
Argentina	3.25	●●●	●●●●	●●●	●●●
Brazil	4.00	●●●●	●●●●	●●●●	●●●●
Chile	4.00	●●●●	●●●●	●●●●	●●●●
China	1.50	●	●●	●●	●
Czech Republic	4.00	●●●●	●●●●	●●●●	●●●●
Egypt	2.00	●●	●●	●●	●●
India	3.25	●●●	●●●●	●●●	●●●
Indonesia	2.50	●●	●●	●●●	●●●
Israel	3.25	●●●	●●●	●●●	●●●●
Jordan	2.00	●●	●●	●●	●●
Malaysia	3.25	●●	●●●●	●●●	●●●●
Mexico	3.75	●●●●	●●●●	●●●	●●●●
Morocco	3.00	●●●	●●●	●●●	●●●
Pakistan	2.50	●●●	●●	●●●	●●

Peru	**3.25**	●●●	●●●●	●●●	●●●
Philippines	**3.50**	●●●	●●●●	●●●●	●●●
Russia	**2.75**	●●●	●●●	●●	●●●
South Africa	**3.50**	●●●	●●●●	●●●	●●●●
South Korea	**3.75**	●●●●	●●●●	●●●	●●●●
Sri Lanka	**3.00**	●●●	●●●	●●●	●●●
Taiwan	**3.00**	●●●	●●●	●●●	●●●
Thailand	**2.75**	●●●	●●●	●●●	●●
Turkey	**3.00**	●●●	●●●	●●●	●●●
Venezuela	**2.25**	●●	●●●	●●	●●

Notes

1. Section I: Clarity of Roles and Responsibilities

2. Section II: Public Availability of Information

3. Section III: Open Budget Preparation, Execution, and Reporting

4. Section IV: Independent Assurances of Integrity

5. Breakdowns for Colombia, Hungary and Poland are available via the e*StandardsForum.com* website.

6. The score is an arithmetic average of the number of points awarded for each section. The maximum possible score is 5.

7. The number of points awarded for each section correspond to the following designations:

- ● **No Compliance**
- ●● **Intent Declared**
- ●●● **Enacted**
- ●●●● **Compliance in Progress**
- ●●●●● **Full Compliance**

ARGENTINA

COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2002*
Clarity of roles	●●●	●●●
Availability of information	●●●●	●●●
Budget preparation	●●●	●●●
Accountability	●●●	●●●●
Score	3.25	3.25

OUTLOOK & COMMENTARY

Argentina has a very comprehensive legislative framework for fiscal transparency, in line with international standards. Although some improvements occurred during 2003, mainly in the timely disclosure of fiscal information, the country still needs to improve the enforcement of laws in order to achieve higher standards of compliance.

Reaching a new revenue-sharing agreement with the provinces will remain a key challenge for the national government during 2004, in order to enhance fiscal transparency at a sub-national level. Another major issue will be the efforts to create a Congressional Budget Office that would study budget proposals and monitor implementation. This move will be closely analysed, as it would increase the effective powers of Congress. Moreover, special attention needs to be paid to future budget laws, to see whether the powers granted to the cabinet chief to reassign budget funds will become regular practice.

EXECUTIVE SUMMARY

3.25 Enacted

Argentina complies with many of the standards set out in the IMF's 'Code of Good Practices on Fiscal Transparency'. The structure, roles and responsibilities of the government are clearly established in the country's legal framework, and the Law of Fiscal Responsibility provides a clear administrative framework for fiscal management. Although the 2001 financial crisis affected the transparency of fiscal information, standards of publicly available information have improved during 2003.

Budget documentation specifies clear fiscal objectives and is presented within a consistent macroeconomic framework. Argentina complies with the IMF's Special Data Dissemination Standard (SDDS), and publishes a comprehensive range of central government fiscal information, mainly through the Ministry of Economy website. Although some progress has been made during 2003, transparency at the provincial level remains weak, with different standards of reporting being used by the provinces. In addition, the agencies in charge of performing independent audits of the public sector have a well-established legal framework to conduct their work, but their role in scrutinising fiscal information could be enhanced.

A major concern for fiscal transparency is the powers granted by the 2004 Budget Law to the cabinet chief to reassign budget funds without congressional approval, and to increase total public spending if revenues are available. Other practices that weakness the country's transparency practices include the extensive use of off-budget fiduciary funds (which are not subject to budgetary controls), the lack of estimates of contingent liabilities, and the lack of assessment of fiscal risks.

Argentina's overall score is unchanged from last year.

BRAZIL

COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2001*
Clarity of roles	●●●●	●●●●
Availability of information	●●●●	●●●●
Budget preparation	●●●●	●●●
Accountability	●●●●	●●●●●
Score	4.00	4.00

OUTLOOK & COMMENTARY

Brazil is poised to keep building on the 2000 Fiscal Responsibility Law (LRF), which significantly raised transparency requirements in the fiscal governance framework. The central and state governments will continue to work their way up the learning curve of reporting requirements set by the LRF. The government of President Lula da Silva appears to be strongly committed to continuing the transparency reforms of his predecessor, and he is personally committed to increasing the level of public participation in setting budget objectives. Lula has made tax reform a top priority, but his ability to change the arcane and politically sensitive tax structure should not be overestimated.

The biggest transparency challenges for Brazil will be incorporating any remaining hidden liabilities into the budget, improving coordination and consistency between budgetary laws and documents, and reducing duplication and overlap of fiscal responsibilities between central and state governments.

EXECUTIVE SUMMARY

4.00 Compliance in progress

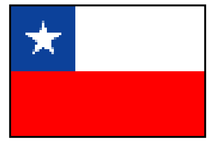
Three years have elapsed since the passage of the 2000 Fiscal Transparency Law (LRF), a key piece of legislation which greatly enhanced the quality and quantity of Brazil's fiscal data at all levels of government. The federal and sub-national governments are currently entering their third cycle of fiscal reporting under the LRF, and the quality and sophistication of their reporting has improved significantly in the last three years. Particularly welcome have been efforts to report and quantify fiscal risks and contingent liabilities. Reporting of previously unrecorded liabilities, popularly known as "skeletons", has also progressed considerably in the past two years, although the process is not yet complete.

The Brazilian government has also continued to expand on its impressive system for disseminating fiscal information through the internet. Indeed, a 2003 survey of perceptions of fiscal transparency found that Brazil performs better than most Latin American countries for the overall quality of its fiscal statistics. However, much of the information on the websites of the ministries of planning and finance is not available in English.

A few areas for improvement remain. Duplication and overlapping of expenditure responsibilities of the federal and state governments is still a source of fiscal confusion. Also, the coordination of spending objectives in the three main budget-planning instruments needs fine-tuning, and a system of public spending evaluation is still absent. However, the federal government at present appears committed to tackling these and other issues of fiscal transparency.

Brazil's overall score remains unchanged from last year.

CHILE



COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2002*	*2001*
Clarity of roles	●●●●	●●●●	●●●●
Availability of information	●●●●	●●●	●●●●
Budget preparation	●●●●	●●●	●●●●
Accountability	●●●●	●●●●	●●●
Score	4.00	3.50	3.75

OUTLOOK & COMMENTARY

Chile's commitments to meet the highest international standards for fiscal transparency practices will continue in the near future. During 2004, the government will study the recommendations made by independent reports on the country's fiscal transparency operations, in order to make the necessary changes to its practices.

A key factor in the country's compliance will be to monitor the effectiveness of the advances achieved in fiscal transparency practices. Public sector reforms like the new procurement law, the operations of the recently created National Civil Service Directorate, the effective role of the Congress Special Budget Commission, and the legal limitations imposed on the use of the so-called "reserved spendings" are among the most important issues to review in the near future.

EXECUTIVE SUMMARY

4.00 Compliance in progress

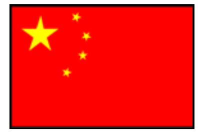
Chile has one of the most sophisticated budget preparation processes in Latin America. During 2003, the country carried out further improvements in its fiscal transparency practices. Changes to the legislative framework have increased fiscal transparency. The new permanent status granted to the Congress Special Budget Commission is expected to enhance national government's accountability regarding fiscal accounts, and to balance the currently broad powers that the executive has in the budgetary process.

Chile complies with the IMF's Special Data Dissemination Standard (SDDS), and publishes a comprehensive range of fiscal information. Law 19,896 of September 2003 established the legal obligation to publish a *Public Finance Report* on an annual basis. This report contains information on fiscal policy, macroeconomic forecasts, performance criteria for budgetary programmes, contingent liabilities, tax expenditures, and quasi-fiscal activities. During the past year, Chile has started to release information on central government budget execution on a monthly basis. Results of major budget programmes and impact evaluation are submitted to Congress annually.

The new Law 19,863 has increased the transparency of the so-called "reserved spendings" of the government. However, budget documentation does not provide detailed information on this, or on resources under the *Reserved Law of Copper*. Fiscal transparency could also be enhanced through establishing a standardised methodology to report fiscal risks.

Chile's overall score has improved from 3.50 in 2002 to 4.00.

CHINA



COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2002*	*2001*
Clarity of roles	•	•	•
Availability of information	••	••	••
Budget preparation	••	••	••
Accountability	•	•	•
Score	1.50	1.50	1.50

OUTLOOK & COMMENTARY

The first year of government by the 'fourth generation' of Chinese leaders has seen stated intentions to advance reforms in several areas, including changes in the budget procedures. Even though there have been some isolated advances, China is still far from having a comprehensive policy to improve its fiscal operations.

Given the size of the country's economy, the establishment of an overall macroeconomic framework remains among the greatest challenges. The recently created National Development and Reform Commission has made some improvements, but until they become binding, no short-term progress can be expected.

China's long-term goal remains the gradual integration of all extra-budgetary revenues into the budgetary process. Moreover, a more efficient system of fiscal transfer is required, both within the provinces and between the provinces and the centre.

EXECUTIVE SUMMARY

1.50 No Compliance

Fiscal transparency practices in the People's Republic of China (PRC) remain very limited. The relationship and distribution of responsibilities between the government and the rest of the economy are subject to significant shortcomings and an overall lack of transparency. In addition, there is little coordination of budgetary activities performed at the different levels of government, and ambiguities persist in the division of responsibilities between the central and local governments.

In March 2003, the National People's Congress (NPC) introduced organisational changes in some government agencies, aiming to update and increase the government's regulatory capacity. It is expected that this restructuring will have positive implications for regulatory policy and the efficiency of government, as well as intra-governmental cooperation. However, the lack of coordination between various government agencies is still noticeable, affecting the quality of fiscal projections in China.

Following the country's accession to the IMF General Data Dissemination System, data has gradually been improving. The National Bureau of Statistics (NBS) publishes monthly cumulative and quarterly fiscal data. Information on the composition of the government's debt is also available. However, fiscal data quality still suffers from the multiple layers of bureaucracy in China.

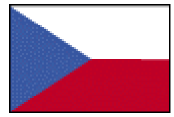
Although the Ministry of Finance usually adjust the budget throughout the fiscal year with little consultation, the NPC has been increasing its influence during the parliamentary budget process.

The budget execution and monitoring system of the PRC still bears the imprint of a planned economy. Most importantly, the country lacks a system to measure effective fiscal risk management, and the government does not have complete information on its contingent liabilities. The National Development and Reform Commission and the Ministry of Finance are in charge of establishing fiscal objectives, and providing analyses of the financial situation. However, fiscal policy objectives are not clearly explained in the documentation publicly available.

New measures to strengthen the civil service have been taken since the 1980s. However, corruption in the state bureaucracy remains a serious problem.

China's overall score is unchanged from last year.

CZECH REPUBLIC



COMPLIANCE RATINGS

Fiscal transparency	*2003*
Clarity of roles	●●●●
Availability of information	●●●●
Budget preparation	●●●●
Accountability	●●●●
Score	4.00

OUTLOOK & COMMENTARY

Steady progress is expected towards improving fiscal transparency. In accordance with the "Pre-Accession Economic Programme," the government is committed to a systematic overhaul of the fiscal sphere with the objective of fully complying with EU standards. The relatively numerous extra-budgetary funds are being dismantled or incorporated into the central government budget and the government has become very open about existing fiscal risks.

The new system of regional administration remains to be fully tested and there have been some signs of irresponsibility on the part of subnational governments, which continue to be imperfectly monitored. The government has yet to fully address the fiscal pressures arising from the unfavourable demographic profile.

EXECUTIVE SUMMARY

4.00 Compliance in progress

The Czech Republic operates a highly transparent fiscal system, especially after the adoption of new budgetary rules in 2001. A great deal of information is available to the public about various aspects of fiscal policy and its execution. In some instances, the availability of data exceeds international norms, even if much of it is still only released in Czech. The country has an open budget system and an increasingly effective mechanism for auditing.

There are some areas where further progress would be desirable, most notably in the extensive and recently increasing use of extra-budgetary funds which operate under their own regulatory and accounting rules. However, the government is aware of the problem and is working to remedy it. Similarly, the reporting of quasi-fiscal activities continues to fall short of the ideal.

The compilation of general government statistics is still somewhat short of the ideal because of the high degree of autonomy of local governments and the fact that different standards are applied to the central government and its regional and municipal counterparts.

Czech EU membership can be expected to accelerate the process of rectifying the remaining problems.

EGYPT

COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2002*	*2001*
Clarity of roles	••	••	••
Availability of information	••	••	••
Budget preparation	••	••	••
Accountability	••	••	••
Score	2.00	2.00	2.00

OUTLOOK & COMMENTARY

Even though the institution-building process in which the country is engaged includes transparency and accountability as major pillars, little progress has been achieved in the area of fiscal transparency. In the fourth phase of Egypt's economic reform programme, fiscal reform will remain as a key issue to be addressed.

Reforms to the tax system are expected for the 2003-2004 period, but it is likely that the lack of transparency and simplicity will remain important problems to solve. The country also needs to solve the discrepancies between the budget figures that are discussed in parliament and those that are published in the Official Gazette. Further advances in the area of data dissemination are likely to occur soon.

EXECUTIVE SUMMARY

2.00 Intent declared

Egypt has taken some measures to improve fiscal policy transparency in 2003, but it continues to show deficiencies in reporting fiscal data. Steps are being taken to clarify roles and responsibilities in the government sector and to improve the separation of fiscal and monetary activities. In addition, parliamentary scrutiny of economic and financial affairs has recently increased.

During 2003, summary information of national budget operations has started to be published by the Ministry of Foreign Trade (MoFT). However, this information remains factual rather than analytical, with no explanation of policy developments or economic targets. The introduction of a results-based budgeting system remains a government goal but little progress has been made during 2003.

Progress on the Data Access and Transmission Activity (DATA) project continued during 2003, and commentators have suggested that the country is on course to meet the IMF's Special Data Dissemination Standard (SDDS) requirements in the near future.

The basic legal framework for fiscal management is clear, though in need of updating. Public scrutiny of the budget remains inadequate. The government is aiming to introduce a programme-type budgeting system, but no specific time frame has been established. In addition, major improvements are still needed in reporting budget execution, contingent liabilities, and the fiscal risks undertaken by state-owned enterprises and financial institutions.

Egypt's overall score is unchanged from last year.

INDIA

COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2002*	*2001*
Clarity of roles	●●●	●●●	●●●
Availability of information	●●●●	●●●	●●●●
Budget preparation	●●●	●●	●●
Accountability	●●●	●●●	●●●●
Score	3.25	2.75	3.25

OUTLOOK & COMMENTARY

Changes resulting from the implementation of the Fiscal Responsibility and Budget Management (FRBM) Act will be the biggest issue to monitor over the coming year. Reporting in particular should improve significantly if the statements the government is mandated to lay before parliament throughout the year are indeed produced. These include a medium-term fiscal policy statement and a fiscal policy strategy statement to be presented with the annual budget.

The sustainability of India's fiscal situation is a cause for concern and it has yet to be seen whether or not the government will be able to meet the fiscal targets set out in the FRBM Act.

EXECUTIVE SUMMARY

3.25 Enacted

The government passed the Fiscal Responsibility and Budget Management (FRBM) Act -- the linchpin of India's fiscal reforms -- in July of this year. The Fiscal Responsibility and Budget Management Act is set to bring discipline and transparency to the central government budget process and should facilitate efforts to restore fiscal sustainability. The act, however, includes exceptional conditions for not meeting specified targets, such as emergencies, national calamities, and any other exceptional grounds as the central government may specify. Any changes resulting from the act that are referred to in the report are yet to be implemented, and their worth in practice is as yet not certain. Officials are hoping for the act to be fully implemented by end 2004.

Previous budget preparation deficiencies, the absence of a quantified macroeconomic framework, no publicly available assessments of fiscal sustainability and the absence of mid-year reports have all been addressed in principle by the Fiscal Responsibility and Budget Management Act. The FRBM Act improves the definition of fiscal objectives by mandating the government to present a medium-term fiscal policy statement and a fiscal policy strategy statement with its annual budget submission. Government reporting to parliament in general should improve as a result of the Act.

The transparency of India's fiscal transfer system continues to be a source of concern. The union and state budgets contain no information on the quasi-fiscal activities of public sector undertakings (PSUs) and tax expenditures. Following the example of the central government, however, a growing number of states have begun to list (explicit) loan guarantees in their budgets. Meanwhile information on implicit contingent liabilities remains limited.

Tax reform remains a key government priority. The central government attempted to introduce value added tax (VAT) at the state level earlier in the year but the reforms had to be withdrawn. The Ministry of Finance does not see these being re-introduced until April 2004. India has also introduced a system of permanent account numbers to simplify the filing of income tax returns, and this, along with increasing computerisation, is expected to reduce corruption within the tax administration.

Progress has been made in a number of areas including enhancing accountability. There are plans to strengthen regulation in the area of accounting standards and effectiveness of auditors. Plans to establish a permanent national commission on statistics have yet to be acted upon. The audit framework is satisfactory, but the recommendations of the auditor general are often ignored by state governments.

India's overall score has improved from 2.75 in 2002 to 3.25.

INDONESIA

COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2002*	*2001*
Clarity of roles	●●	●●	●●
Availability of information	●●	●●	●●●
Budget preparation	●●●	●●●	●●
Accountability	●●●	●●●	●●●
Score	2.50	2.50	2.50

OUTLOOK & COMMENTARY

The Indonesian government has decided to conclude its assistance programme with the International Monetary Fund at the end of 2003. In 2004 and beyond, the government will no longer receive funds from the IMF nor have access to debt rescheduling through the Paris Club. In the past, the IMF has been an important catalyst in promoting fiscal transparency in Indonesia. While the IMF will no longer be there to play the role of taskmaster in transparency reform, it appears the current government is sufficiently committed to see key reforms through.

The passage and enforcement of the finance, treasury, and audit laws currently in progress will be a key indicator of the extent of the government's political will over the next year.

EXECUTIVE SUMMARY

2.50 Intent declared

Indonesia is currently in the middle of a substantial revision of its fiscal policy framework. The passage this year of the State Finance Law is the first piece of legislation on the management of public finances to be enacted since Indonesia's independence. In addition, two other laws—one affecting the operations of the Treasury and another on the activities of the state audit agencies—are currently under debate and will likely be passed next year. When passed, this package of legislation and the implementing regulations will represent a significant step towards improving transparency in Indonesia's fiscal policy.

Particularly welcome is the requirement, contained in the State Finance Bill, that the president, governors, and heads of local governments must deliver an accountability report on the budget before the legislature every year. The law also makes government officials personally responsible for misused or embezzled public funds, and imposes strict penalties for such crimes regardless of the official's rank. If these provisions are backed by a strong enforcement mechanism, the legislation will mark a significant improvement in the country's fiscal transparency. Also encouraging are ongoing initiatives to reduce corruption in government procurement, improve the clarity of tax collection, and set up a unified national treasury system.

However, several concerns raised in last year's report are still pressing. The existence of significant off-budget accounts held by government entities and the lack of analysis on contingent liabilities remain serious obstacles to fiscal transparency. Two years into Indonesia's ambitious decentralisation process, much confusion remains about the fiscal obligations transferred to local governments. Also, the independence and effectiveness of the state's audit agencies, BKP and BKPK, are still far from adequate.

Indonesia's overall score is unchanged from last year.

ISRAEL

COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2002*	*2001*
Clarity of roles	●●●	●●●	●●●
Availability of information	●●●	●●●	●●●●
Budget preparation	●●●	●●●	●●●
Accountability	●●●●	●●●●	●●●●
Score	3.25	3.25	3.50

OUTLOOK & COMMENTARY

he structural and fiscal reforms being pursued by the government look likely to continue, while rivatisation is set to accelerate. The immediate agenda includes privatisation of Bank Leumi and iscount Bank, likely to take place at the beginning of 2004.

ther developments underway include measures to allow for the introduction of accrual-based ccounting. In November, the Ministry of Finance began 'beta testing' an Economics Resources lanning (ERP) software platform, which will allow partial accrual accounting. This will be overnment-wide by 2007.

he OECD in May 2004 will conclude an internal discussion on enlargement. There is a strong possibility that Israel will be invited to join the organisation. If Israel decides to accept, this will have a bearing on transparency, since Israel will participate in OECD comparative studies, and will, on a gradual timetable of compliance, be subject to OECD norms on domestic legislation -- much of which touches on fiscal, monetary and external transparency.

The impetus for transparency is coming largely from the civil service, but continues to meet political opposition.

EXECUTIVE SUMMARY

3.25 Enacted

In 2003, Israel on balance raised the quality of fiscal transparency, with specific improvements marred by other deteriorations. Most importantly, revenue projections have improved. Previously, revenue projections were overly optimistic, in order to make room for more spending without breaching deficit limits. Now, the only disagreements over revenue projections arise from GDP growth assumptions, and these differences, while potentially significant, are professional and legitimate.

Improvements have been made in the analysis of fiscal risks and other macro economic items with a bearing on the medium-term budget outlook.

Budget forecasting has also improved. Accounting software to enable accrual-based budgeting is in the 'beta testing' stage and is expected to be in use, government-wide, by 2007.

Israel is a member of the IMF's Special Data Dissemination Standard (SDDS), and meets its specifications for the coverage, periodicity, and timeliness of the data and for dissemination of advance release calendars.

'Creative accounting' in the budget remains a problem, particularly in the non-transparent financing of government-owned enterprises. Analyses of fiscal sustainability and contingent liabilities are still missing from budget documentation. Performance budgeting remains several years off.

Israel's overall score has remained at 3.25.

JORDAN

COMPLIANCE RATINGS

Monetary transparency	*2003*	*2002*	*2001*
Clarity of roles	••	••	••
Open decision process	••	••	••
Availability of information	••	••	•••
Accountability	••	••	•••
Score	2.00	2.00	2.50

OUTLOOK & COMMENTARY

The Financial Management Reform (FMR) programme currently underway is likely to improve macroeconomic forecasting, revenue forecasting, and expenditure forecasting, and will lead to a medium-term fiscal framework. The task forces in charge of implementing the programme were involved in the preparation of the 2004 budget.

There are a number of upcoming improvements to watch for. Tax administration has been strengthened in 2003 and now the income tax and general sales tax departments are to be unified with assistance from the IMF. The process should take around two years in total, and the first results can be expected by the end of 2004. The general sales and income tax bases are to be broadened. The government is committed to meeting SDDS within two to three years. In the meantime, it is expected that Jordan will meet GDDS in terms of the quality and comprehensiveness of data in early 2004. The government, Social Security Corporation (SSC) and Municipalities budgets will be unified in early 2004. The Ministry of Finance's monthly Government Finance Bulletin is to be expanded and to provide more comprehensive information.

Jordan would benefit from advances in a number of areas, including: setting higher standards for fiscal data; quantifying major fiscal risks in the annual budget documentation; and providing a detailed assessment of fiscal sustainability.

EXECUTIVE SUMMARY

2.00 Intent declared

Jordan continues to make progress towards the standards set out in the IMF Code of Good Practices in Fiscal Transparency. Steps are being taken to clarify roles and responsibilities in the government sector and to improve the separation of fiscal and monetary activities. However, public scrutiny of the budget remains inadequate. To some degree, previous improvements in the clarity of roles and responsibilities of the government and public sector were offset by the suspension of parliament in 2001. However, after several delays during 2002, new parliamentary elections took place in June 2003.

With support from the IMF, World Bank and GTZ (German Technical Cooperation) Jordan has taken steps to strengthen fiscal policy and management. The major effort is the Financial Management Reform in Jordan (FMR). Under this programme four task forces have been formed covering macroeconomic forecasting, revenue forecasting, expenditure forecasting and a medium-term fiscal framework. The task forces were activated in 2003 and have been involved in the preparation of the 2004 budget.

Jordan continues to produce and disseminate data and information in accordance with the IMF's General Data Dissemination System (GDDS) and is aiming to meet the requirements of the Special Data Dissemination Standard (SDDS) within the next two to three years. A new Statistics Law came into force on 16 February 2003 as a temporary law. It will need to be debated by the new parliament when it begins its first regular session in December 2003, but many changes are not expected.

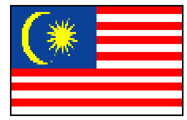
The Ministry of Finance broadly communicates its fiscal policy objectives. However, its communication of macroeconomic frameworks on which budgets are based, and of how fiscal risks and sustainability are treated, is limited.

The Ministry of Finance is seeking to introduce results-based budgeting and monitoring. At the same time, improvements at the Jordan Audit Bureau and the Department of Statistics are providing increased assurances of the integrity of fiscal information. The Ministry of Trade and Industry has launched a bi-lingual monthly bulletin that contains data not published elsewhere on a regular basis.

As part of the structural reform process, a privatisation programme is underway, and procedures have been relatively transparent so far. Tax administration has been strengthened in 2003.

Jordan's overall score is unchanged from last year.

MALAYSIA



COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2002*	*2001*
Clarity of roles	••	••	••
Availability of information	••••	••	•••
Budget preparation	•••	•••	•••
Accountability	••••	••••	•••
Score	3.25	2.75	2.75

OUTLOOK & COMMENTARY

Malaysia has kept an adequate provision and timely publication of fiscal data, in compliance with its commitment to the IMF's Special Data Dissemination Standard (SDDS). In addition, important steps have been taken to provide additional information on central government operations.

Fiscal transparency should be substantially enhanced in the future if Prime Minister Abdullah Badawi stands by his commitment of strengthening Malaysia's governance by creating an institutional environment where laws are transparently enforced. These steps would simultaneously help to restore public confidence in the performance of the Anti-Corruption Agency and the Auditor General.

The main potential weakness remains the government's inability to delineate clearly its functions and responsibilities within the highly centralised environment under which fiscal policy has been hitherto implemented.

EXECUTIVE SUMMARY

3.25 Enacted

Malaysia subscribes to the IMF's Special Data Dissemination Standard (SDDS) and observes all SDDS fiscal standards. Information on taxes, procurement, and ethical standards for civil servants is clear and publicly stated. Comprehensive publications provide basic fiscal data, including information on the finances of state governments, the consolidated general government financial position, and comparative data from the previous and present years, along with projections for the following year.

However, important concerns remain in the way reporting and disclosure are carried out in practice. There is insufficient clarity about the relations between key government institutions. In addition, steps to reinforce the independence of the Anti-Corruption Agency and the Auditor General are needed to allay public concern over these institutions' inadequacy.

Malaysia could significantly improve fiscal policy transparency through adding more explicit and detailed assessments of fiscal sustainability and fiscal risks to the budget, and the disclosure of macroeconomic models and assumptions used in government forecasts. The government is determined to tackle corruption in the administration of licences/permits and government procurement, but the necessary institutional framework is not yet fully operational.

Malaysia's overall score has improved from 2.75 in 2002 to 3.25.

MEXICO

COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2002*	*2001*
Clarity of roles	●●●●	●●●●	●●●●
Availability of information	●●●●	●●●	●●●●
Budget preparation	●●●	●●●	●●
Accountability	●●●●	●●●●	●●●
Score	3.75	3.50	3.25

OUTLOOK & COMMENTARY

The Federal Law on Transparency and Access to Public Information has substantially increased the availability of fiscal information in all government levels. However, major efforts are needed in order to increase fiscal monitoring and government officials' accountability over budget spending and reporting.

Fiscal transparency could be increased in the future if fiscal responsibilities were clearly established in the constitution. Success will depend on whether states and municipalities perceive reforms as permanent, in order to allay concerns over the unfeasibility of the fiscal federalism programme if based only on short-lived, discretionary changes approved in Congress.

EXECUTIVE SUMMARY

3.75 Compliance in progress

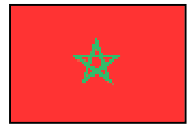
Mexico sustained its efforts to attain further improvements on fiscal transparency in 2003. The Federal Law on Transparency and Access to Public Information and the Federal Institute for Public Information Access have substantially improved the timely and complete access to fiscal information for all government levels and entities. The implementation of additional measures to overhaul budgetary and auditing procedures, together with the consolidation of government procurement and data compilation systems, have all increased fiscal transparency.

Mexico complies with the IMF's Special Data Dissemination Standard (SDDS) and publishes a comprehensive range of fiscal information, but efforts should still be made to improve the integration and clarity of all statistics and data records.

Fiscal transparency could be substantially enhanced through the implementation of performance-based budgeting, and by making available more detailed reporting on the financial requirements for pension liabilities in all government levels.

Mexico's overall score has improved from 3.50 in 2002 to 3.75.

MOROCCO



COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2002*	*2001*
Clarity of roles	●●●	●●●	●●●●
Availability of information	●●●	●●●	●●
Budget preparation	●●●	●●●	●●●
Accountability	●●●	●●●	●●●
Score	3.00	3.00	3.00

OUTLOOK & COMMENTARY

Morocco has a number of projects in the pipeline which, given sufficient commitment, could lead to significant improvements in fiscal transparency over the coming year. The compilation of aggregate statistics for local administrations may soon make it possible to generate consolidated statistics for general government, thereby fulfilling a key requirement for complying with SDDS.

Improvements are also expected in the transparency of government procurement practices. In this regard, the government is planning to pass amendments to the law on public procurement in 2004. Over the coming year, the Ministry of Finance is aiming to eliminate the backlog in final expenditures accounts dating back to 1996. Progress in this area will lead to improvements in accountability.

The government is in the process of implementing public administration reforms including a decentralisation of expenditures and a move towards a form of performance budgeting. These reforms could, in the longer-term, result in greater transparency and increased efficiency of its budget expenditure.

EXECUTIVE SUMMARY

3.00 Enacted

Morocco's public finances and budgetary activities take place within a clear and comprehensive legal framework. The budget preparation process is open and well understood by the public. Private sector participants feel they are adequately consulted during preparation of the Finance Law.

The Ministry of Finance is making progress towards developing consolidated statistics for the general government, which is one of the main requirements for participating in the SDDS. In an ambitious initiative, aggregate statistics on local government finances are currently being compiled in a cooperative effort between the Ministry of Finance and the Ministry of the Interior.

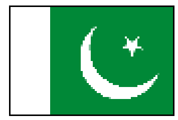
Progress is also being made towards improving oversight and accountability at the level of local administrations. A new law on financial jurisdictions has facilitated the creation of regional chambers of accounts that will be responsible for providing independent oversight of the finances of local administrations. Procurement practices are improving as certain ministries adopt more transparent processes. A case in point is the Ministry of Finance, which has set up a website for providing information on public tenders. An amendment to the law on public procurement is expected to be passed by parliament in early 2004, and should reinforce progress in this area.

On the downside, a number of weaknesses have yet to be adequately addressed. At the level of public availability of information, a key weakness in fiscal transparency is the general lack of information on items such as tax expenditures, quasi-fiscal activities and fiscal risks within the budget documentation. Whilst the budget is prepared within a framework consisting of medium-term policy goals defined by the King in a five-year plan, forecasts for key macro-economic indicators and fiscal targets are only set one year ahead thus limiting the effectiveness of the budget as a tool for longer-term planning.

With regard to financial control, Morocco's system is characterised by heavy a priori controls that can lead to excessive formalism and bureaucracy to the detriment of effective oversight and enforcement. At the level of external audit, the Accounts Chamber -- *Cour des comptes* -- is legally tasked with the role of auditing the execution of the finance laws. However, as a result of the excessively long delays within the Ministry of Finance in preparing the final expenditure accounts, it has not been able to fully perform this role, nor can it undertake audits on its own initiative.

Morocco's rating is unchanged from last year.

PAKISTAN



COMPLIANCE RATINGS

Fiscal transparency	*2003*
Clarity of roles	●●●
Availability of information	●●
Budget preparation	●●●
Accountability	●●
Score	2.50

OUTLOOK & COMMENTARY

The government is committed to continuing with its drive for improved governance and greater transparency. The "Fiscal Responsibility Ordinance" sets binding rules designed to ensure fiscal sustainability and openness. Ambitious commitments about data dissemination have been made in connection with Pakistan's GDDS membership. The government is tackling deeply entrenched corruption and auditing practices are being reformed with external assistance.

In spite of considerable progress, the improvement in the government's fiscal fortunes has had more to do with a generally favourable macroeconomic situation and low interest rates than structural reform. An exogenous shock can thus potentially upset the process. Moreover, populist tensions will likely continue to introduce inconsistencies to reform and complicate their implementation, especially with the transition to civilian rule.

EXECUTIVE SUMMARY

2.50 Intent declared

Following decades of fiscal irresponsibility, the Pakistani authorities in 2000 embarked on an ambitious reform plan designed to improve governance and fiscal transparency. The tax administration has been overhauled to a significant degree, in spite of some measures being watered down by evidence of declining revenues. A comprehensive programme of restructuring and privatisation has been undertaken for public sector enterprises.

The government has introduced a formal fiscal rule in the "Fiscal Responsibility and Debt Limitation Ordinance" which was presented to the parliament in 2003. The new law makes a binding commitment to reduce government debt to sustainable levels over the coming decade and sets formal expenditure ceilings for the intermediate period.

Pakistan in late 2003 joined the General Data Dissemination Standards (GDDS) of the International Monetary Fund, which marks a formal commitment to modernise the system of fiscal data collection and dissemination in accordance with international best practices.

Even though the authorities' commitment to reform appears genuine, some questions pertain to the sustainability of the plan. Much of the recent improvement has been made possible by the favourable macroeconomic climate and successes in debt restructuring at a time of historically low interest rates. Populist pressures remain legion and the government risk-averse at a time when debt servicing costs, even with the recent reductions, are high. There has recently been some evidence of the reforms slowing down. For instance, the General Sales Tax has not been extended to services. A protracted parliamentary stalemate was only resolved recently when President Musharraf cut a deal with the Islamist parties. This should permit a resumption of substantive reform, even though the parliamentary situation may continue to create delays. Additional help may come from the peace process with India, provided it is sustained.

PERU

COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2002*	*2001*
Clarity of roles	●●●	●●●	●●●
Availability of information	●●●●	●●●	●●●●
Budget preparation	●●●	●●	●●●
Accountability	●●●	●●●	●●●
Score	3.25	2.75	3.25

OUTLOOK & COMMENTARY

Peru's efforts to increase fiscal transparency will mostly depend on the government's ability to maintain its fiscal reform programme in a highly politicised environment. The decentralisation process is likely to make some progress, giving greater transparency to the roles, responsibilities, and objectives of regional governments. However, success will mostly depend on the central government's resolve in fending off political interests.

The National Superintendence of Tax Administration (SUNAT) will continue to achieve important progress in widening the tax base and reducing evasion by streamlining tax collection through use of a more transparent and effective framework.

Peru's main weaknesses will likely remain the privatisation programme, the lack of performance-based budgeting, and the government's inability to bring the 'informal' economy into compliance with tax obligations. These hurdles could substantially obstruct efforts to reduce the fiscal deficit and enhance overall fiscal transparency.

EXECUTIVE SUMMARY

3.25 Enacted

The government of Peru has attained moderate improvements towards increasing fiscal policy transparency in 2003. There was little progress in developing the institutional framework required by the decentralisation programme. The work of the National Decentralisation Council (CND), which is in charge of supervising the process of transferring resources to regional/municipal governments, has been noticeably criticised, while its inability to generate consensus has left many grey areas with regard to the delineation of the property of state assets and responsibilities over pension liabilities. In addition, the privatisation process of public assets and the policy to increase private sector involvement in the provision of public services came to a halt. These problems in both the decentralisation and privatisation programmes have shown that fiscal transparency (and fiscal policy itself) is highly vulnerable to political pressure.

The Law on Fiscal Responsibility and Transparency has provided for more feasible fiscal ceilings. The ability of the government to observe future fiscal deficit rules will enhance the credibility of the framework, which will facilitate the implementation of systems aimed at strengthening the monitoring of budget expenditure at all government levels. The Integrated System of Financial Administration of the Public Sector (SIAF-SP) has substantially improved the transparency and timely reporting of central government fiscal activities. Major progress should be achieved once the SIAF-SP is operational in all regional/local governments, decentralised agencies, and state-owned enterprises.

Peru's overall score has improved from 2.75 in 2002 to 3.25.

THE PHILIPPINES

COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2002*	*2001*
Clarity of roles	●●●	●●●	●●●
Availability of information	●●●●	●●●●	●●●
Budget preparation	●●●●	●●●	●●
Accountability	●●●	●●●	●●●●
Score	3.50	3.25	3.00

OUTLOOK & COMMENTARY

The Philippines have made some progress in enhancing fiscal transparency, in particular by strengthening measures aimed at tackling corruption in government procurement and employment practices. In addition, efforts to increase the overall quality of statistics and to fully implement performance-based budgeting were noted.

Improvement in other areas, such as the legal and administrative framework for fiscal management, will depend heavily on the government's ability to control fiscal imbalances amid the deepening political problems that continue to weigh down the economy. In this context, an important indicator will be whether the National Revenue Authority bill and a fiscal responsibility law are approved soon, or fiscal discipline and transparency are abandoned ahead of the presidential election in May 2004.

EXECUTIVE SUMMARY

3.50 Enacted

The Philippines have made progress in increasing fiscal transparency, particularly by introducing a number of measures aimed at tackling corruption and fiscal mismanagement. The Government Procurement Reform Act has established a detailed process to overhaul government procurement by introducing clear rules and regulations, while the Government Procurement Policy Board now has the responsibility of ensuring that procurement complies with transparent and efficient practices. Improvements were also achieved by implementing accrual accounting and performance-based budgeting across several government agencies.

The government has proposed a number of additional measures to address several transparency weaknesses. Information on the stock of contingent liabilities and other fiscal risks is currently being collated, and should be incorporated in future budget calculations and/or fiscal sustainability analyses in the short term. The fragile condition of public finances has pressed the government to make further efforts to correct deficiencies in the tax system. One of the government's chief measures to revamp fiscal administration and transparency is the National Revenue Authority bill, now awaiting congressional approval. This would create a new revenue-collecting agency with fiscal and administrative autonomy.

The Philippines comply with the IMF's Special Data Dissemination Standard (SDDS) and publish a comprehensive range of fiscal information. The government has made progress in correcting the analytical deficiencies of statistical techniques. However, some concern about the Commission of Audit's standing as an independent fiscal auditor remains. A sound assessment of its independence might be made in the future, when local government units receive additional national government competences through an enhanced Local Government Code.

The Philippines' overall score has improved from 3.25 in 2002 to 3.50.

RUSSIAN FEDERATION

COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2002*	*2001*
Clarity of roles	•••	••	••
Availability of information	•••	••	••
Budget preparation	••	••	••
Accountability	•••	••	••
Score	2.75	2.00	2.00

OUTLOOK & COMMENTARY

The Russian government has made a clear commitment to improving fiscal transparency standards under a number of medium- to long-term reform programmes. In particular, the transition to a modernised system of fiscal federalism will reduce waste and increase accountability. The ongoing tax reform is likely to create a significantly more streamlined and efficient system of taxation.

In spite of the gradual progress in administrative reform, fiscal transparency will continue to be hampered by a very gradual generation change among civil servants and incentives for unethical behaviour created by low pay. Even Putin's anti-corruption stance is unlikely to fundamentally improve standards in public procurement and other areas. The new system of regional administration remains to be tested and several problems with effective enforcement can be expected.

EXECUTIVE SUMMARY

2.75 Enacted

The Russian government has made considerable progress towards improving fiscal transparency standards. The Ministry of Finance now runs a fairly comprehensive website, albeit most of it is still available only in Russian. Collaboration with independent consultancy companies and external funding have enabled the Ministry to provide comprehensive fiscal statistics for all levels of government. The government's budget bill is now based on fairly conservative assessments of possible macroeconomic scenarios for the country. However, the public availability of this information is still limited.

The Russian authorities recognise the IMF code of best practices as the ultimate standard in fiscal transparency. The government is continuing to implement the IMF's Special Data Dissemination Standard (SDDS) methodology and most data is already presented in a fully compatible format. However, full SDDS membership will still require additional reform.

Ambitious reform programmes are being pursued in the regional sphere and in taxation. New legislation is redefining and harmonizing the competencies of subnational governments and formalising inter-governmental fiscal relations. The move represents a critical step in the transition from the at times chaotic heterogeneous system created during the Yeltsin era. The tax reform has stalled somewhat but promises a potentially thorough overhaul of a hitherto untransparent and inefficient system. The Accounts Chamber has become an increasingly active and effective source of control on the fiscal sphere, although its work continues to be hampered by resource constraints. Indeed, comparatively little attention is often paid to enforcement, which is further hampered by the ineffective judicial system.

While the government has shown admirable willingness to reform legislation in various key areas, the implementation of the new regulations often remains incomplete. Efforts to combat corruption have met with limited success at best and considerable inefficiency is created by the underpaid bureaucracy.

Russia's overall score increases to 2.75 from 2.00 in 2002.

REPUBLIC OF SOUTH AFRICA

COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2002*
Clarity of roles	●●●	●●
Availability of information	●●●●	●●
Budget preparation	●●●	●●●
Accountability	●●●●	●●●●
Score	3.50	2.75

OUTLOOK & COMMENTARY

South Africa is steadily improving its fiscal transparency standards and the commitment to meet international best practices is widely shared. All fiscal statistics will be internationally compatible as of 2004. Further progress can be expected in bringing extra-budgetary funds under government umbrella. Increasingly efficient auditing practices should create further incentives for accurate accounting and reporting. Privatisation will similarly contribute to greater transparency.

Fiscal transparency will continue to be hampered by corruption, especially on the part of low-paid public officials. It is still unclear as to whether the economic implications of HIV are properly assessed and understood.

EXECUTIVE SUMMARY

3.50 Enacted

South Africa's fiscal management and transparency remain high by international standards and the country's economic data are deemed to be of high quality.

The Public Finance Management Act (PFMA) enforces very strict transparency requirements, including timely reporting and procedures for accountability. Recent legislation has extended the requirements of the PFMA to provincial and local governments. Internal controls for compliance with the PFMA have also been improved, for instance through the formation of the joint-budget committee for parliamentary budget oversight. A new economic reporting format has been developed with effect from April 2004.

The government statistics tables published by the South African Reserve Bank now comply with the latest IMF standards. While the PFMA does cast a net over most extra-budgetary institutions, the absence of a legal requirement for the publication of contingent liabilities and extra-budgetary activities results in limited availability of information in these areas. Persistent inconsistent programme classification across provincial budgets makes comparisons across functions difficult.

Progress has been made in integrity assurance. New Treasury control measures include an early warning system to detect over, and under spending and the continuous inspection and monitoring of the budget execution through legal reporting requirements. Accounting standards have also been upgraded and the state procurement policies have been reformed.

South Africa's overall rating increases to 3.50 from 2.75 last year.

South Korea

Compliance Ratings

Fiscal transparency	*2003*
Clarity of roles	●●●●
Availability of information	●●●●
Budget preparation	●●●
Accountability	●●●●
Score	3.75

Outlook & Commentary

South Korea should continue to make steady progress towards meeting the highest international standards for fiscal transparency practices. The availability of information on central government operations will continue to improve from an already high level. Moreover, government's efforts to improve the reliability and publicity of sub-national levels of government information are likely to produce positive results in the near future.

Even when the number of extrabudgetary funds is likely to be reduced, the government will continue to rely on these funds for its operations. Once the 'National Fiscal Management Plan' becomes operational in 2004, the country's analysis of fiscal sustainability is likely to improve. The sustainability of the National Pension System will continue to produce uncertainties, but changes to the system will depend on the government's ability to achieve political consensus for reform.

EXECUTIVE SUMMARY

3.75 Compliance in progress

South Korea complies with many of the standards set out in the IMF's 'Code of Good Practices on Fiscal Transparency', and the government has publicly expressed a commitment to further improve fiscal transparency. Since the 1997 financial crisis, the country has been restructuring its fiscal sector through better transparency and accountability, disclosure of fiscal information, and end-user-oriented fiscal management.

New legislation and the ongoing implementation of consistent measures on budgetary and auditing procedures, government procurement and employment, and data availability have significantly overhauled most of the fiscal framework.

South Korea complies with the IMF's Special Data Dissemination Standard (SDDS), and publishes a comprehensive range of fiscal information. However, efforts could still be made to improve the integration of statistics and records of sub-national levels of government.

Fiscal transparency could be enhanced through improving the disclosure of quasi-fiscal activities from public sector institutions in the national budget, and assessing major fiscal risks. In addition, the government should prepare comprehensive studies or reports on fiscal sustainability, including projections of contingent liabilities and the financial requirements from the pension systems. Moreover, further reforms in the use of extrabudgetary funds are still necessary.

A 'National Fiscal Management Plan', starting in 2004, is expected to further improve the country's system of analysis and reporting of the medium-term expenditure framework, and to provide analysis on fiscal sustainability.

South Korea's overall score is 3.75.

SRI LANKA

COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2002*	*2001*
Clarity of roles	●●●	●●●	●●
Availability of information	●●●	●●●	●●●
Budget preparation	●●●	●●	●●
Accountability	●●●	●●●	●●●
Score	3.00	2.75	2.50

OUTLOOK & COMMENTARY

Legislative and administrative changes to monitor over the next year include: the development of a Public Audit Act; the establishment of a unitary Revenue Authority, expected to be operational by 2005; the implementation of medium-term budgeting, introduced in the 2004 budget; the progress of the Public Finance Act, expected to be enacted in 2004; and the progress of the Freedom of Information Act. Also in 2004 a new Foreign Exchange Management Act is due to be enacted. The new Fiscal Management Responsibility Act (FMRA), enacted in January 2003, should further improve transparency and accountability in fiscal management over the following year, particularly in the area of fiscal reporting.

November 2003 saw a bout of political instability. Further political instability is a possibility, as is the threat of the president calling fresh elections. The peace process is still very much on hold, though renewed conflict is unlikely. While the economic reform process is not likely to be substantially threatened, the uncertainty affects business and investor confidence, which had improved since the ceasefire was agreed in February 2002. The government may now be more cautious in pushing through the more controversial economic reforms, but none of these have a bearing on monetary or fiscal transparency. The government's medium-term projections and the fulfilment of its economic and reform objectives depend on a continued peace and the easing of domestic political frictions.

EXECUTIVE SUMMARY

3.00 Enacted

Over the course of 2003, the Government of Sri Lanka has continued to show its commitment to the concepts set out in the IMF Code on Fiscal Transparency and has made progress in ensuring the implementation of the code. Sri Lanka's economic recovery, which began in late 2002, has continued this year. The ceasefire agreed in February 2002 with the Liberation Tigers of Tamil Eelam has continued. Peace talks between the group and the United National Front (UNF) government appear to have stalled however. Macroeconomic management has improved, the commitment to fiscal consolidation has continued, and structural reforms have been deepened, though not without certain delays. Efforts have been made to strengthen the regulatory environment to enable further reforms to the financial system, taxation and the tax administration.

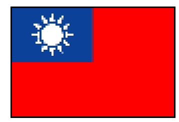
The new Fiscal Management Responsibility Act (FMRA), enacted in January 2003, is improving transparency and accountability in fiscal management. It aims to ensure responsible fiscal management and a prudent fiscal policy strategy and to facilitate periodic public and parliamentary scrutiny of fiscal performance. More responsible fiscal management will in turn help, *inter alia*, reduce the budget deficit. The budgetary system is now more open and accountable, and the timeliness of data has improved. Under the new legislation, the government must now present to parliament its fiscal policy, objectives, targets budget projections. A Mid Year Fiscal Position Review is now also published. Under the FMRA, the government must reduce the budget deficit to 5% by 2006 -- it is more or less on target with this. It must also reduce total public debt to 85% GDP by 2006. The government is now also required to detail before parliament all additional pre-election expenditure in a pre-election Budgetary Position Report. The act also entails the imposition of limits on government guarantees.

The legal framework outlining the role of the public sector is well developed, but administrative practice within the public sector could benefit from further improvement. Work has begun to reform public sector administration and to subject public authorities to market discipline. As of 2003, the enforcement of strict deadlines for submission of performance reports by public corporations, authorities, enterprises and departments has been introduced.

Sri Lanka already supplies a variety of fiscal data, and information on exemptions and subsidies is readily available. Nevertheless, there is still insufficient data on the implementation of specific budgetary programmes. As of 2003 half-yearly data are tabled in the parliament and made available for public consumption. The government has launched an 'E-Lanka' project to provide government services online which has enabled better public access to information, but technology in other areas, such as data collection and processing, requires further improvement.

Sri Lanka's overall score has improved from 2.75 in 2002 to 3.25.

TAIWAN (REPUBLIC OF CHINA)



COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2002*	*2001*
Clarity of roles	●●●	●●	●●●
Availability of information	●●●	●●●	●●●
Budget preparation	●●●	●●●	●●●
Accountability	●●●	●●●	●●●●
Score	3.00	2.75	3.25

OUTLOOK & COMMENTARY

The government's guidelines for fiscal administration clearly recognise the need for further reform in most areas of fiscal management, as well as indicating a willingness to undertake the necessary measures. In particular, the tax system and treasury management are singled out as areas promising potential efficiency gains. In addition, the government intends to more systematically survey its landed assets and to improve the return they generate through leasing, sale, and improved management.

The Taiwanese system of government, combined with the current political constellation, creates considerable potential for inertia and incomplete implementation. In spite of measures to combat it, corruption in public procurement and among officials will continue to pose some problems.

EXECUTIVE SUMMARY

3.00 Enacted

Taiwan continues to make steady progress towards higher standards of fiscal transparency. The government has effectively implemented the IMF's Special Data Dissemination Standard (SDDS). Advance release calendars are published and fiscal data largely meet international standards in terms of coverage, periodicity, and timeliness.

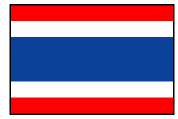
Fiscal transparency has suffered somewhat from legal wrangling between the government and the opposition-controlled Legislative Yuan (parliament). Particular spending projects have been assigned to special *ad hoc* entities before they have received legislative approval and been properly incorporated in the budgetary process. Special attention should be paid to ensuring that all government spending and revenues are brought under the budget and executed and reported on in accordance with standard rules.

The sustainability of government finances remains an area of concern. Taiwan has in recent years seen a continued rapid increase in government indebtedness. The overall scale of government debt is in dispute. However, progress is being made in identifying and addressing sources of fiscal risks. The authorities are further committed to a programme designed to restabilise the fiscal situation over the coming 5-10 years.

The government of President Chen Shui-bian is committed to ambitious reforms in various areas of fiscal administration. However, the political situation continues to cast some doubt over the ultimate prospects of many of these measures. At the same time, their implementation is likely to suffer as a result of still fairly common corruption in public service.

Taiwan's overall score increases to 3.00 from 2.75 last year.

THAILAND



COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2002*	*2001*
Clarity of roles	●●●	●●●	●●●
Availability of information	●●●	●●	●●●
Budget preparation	●●●	●●	●●
Accountability	●●	●●	●●
Score	2.75	2.25	2.50

OUTLOOK & COMMENTARY

Thailand has made significant progress in overhauling its fiscal transparency practices to remedy the shortcomings exposed by the 1997-98 Asian financial crisis. In many areas, the country has moved to reform the government's organisation and functions in agreement with principles established in pending legislation, in an attempt to address the weaknesses found in the fiscal governance framework.

However, despite the achievements attained so far, the lack of statutory force and/or legal delineation remains a latent drawback. In this context, it is essential for parliament to approve reforms in order to allay concerns over the lack of legal guarantees and accountability of a budget reform programme that is already in progress.

EXECUTIVE SUMMARY

2.75 Enacted

Thailand has remained committed to improving fiscal transparency. In the last twelve months, several steps were taken to consolidate fiscal discipline and to strengthen the allocative and operational efficiency of fiscal policy. In many areas, the government has not waited for laws to be enacted and, where possible, has moved to reform the organisation and functions in agreement with the principles of the pending legislation.

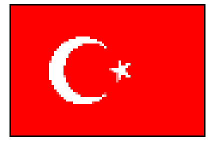
The 'hurdle' approach to budget reform, although successful in transferring more responsibility for budget allocation and accountability, fell short of expediting overall results. In this context, Prime Minister Thaksin Shinawatra asked the Bureau of the Budget (BOB) to implement a new fiscal framework that would focus more on planning, costing, and financial/performance reporting. Pending amendments are expected to divide the BOB into an operational agency and a Budget Policy Committee, which would establish a link between government policy and budget programmes. Nevertheless, statutory enforcement of these reforms is needed to increase fiscal transparency.

Despite substantial achievements, concern remains about the lack of transparency at the Thai Asset Management Corporation (TAMC). In addition, further efforts should be made in order to disclose the amounts and future fiscal requirements from off-budget obligations, and the potential fiscal impact of contingent liabilities and quasi-fiscal activities.

Thailand observes the IMF's Special Data Dissemination Standard (SDDS) requirements for fiscal data. However, legislation that clearly delineates the responsibilities of agencies involved in statistical procedures would be a significant improvement to strengthen accountability and overall transparency.

Thailand's overall score has improved from 2.25 in 2002 to 2.75.

TURKEY



COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2002*
Clarity of roles	●●●	●●●
Availability of information	●●●	●●
Budget preparation	●●●	●●
Accountability	●●●	●●
Score	3.00	2.25

OUTLOOK & COMMENTARY

The Public Financial Management and Financial Control (PFMC) Law will overhaul the entire system of budget preparation, execution, reporting and auditing. It should take effect at the beginning of 2004, and be fully implemented by 2005. It includes the introduction of a new accrual-based accounting system; medium-term budgeting (three year period); and performance-based budgeting. Under the law the Court of Accounts will become the single, supreme audit body, and its scope of audit will increase. Additionally, the government's internal audit system is being overhauled. These reforms will only take effect following the passage of the PFMC law. A new budget classification system that is in line with international standards (GFS 2001) has been introduced, and was used in the preparation of the 2003 budget. All these factors represent significant improvements for fiscal transparency.

Legislation on the second phase of direct tax reform, improving state enterprise governance, and the improvement of the public sector personnel system, including establishing an ethical code of conduct for civil servants, is still waiting to be passed.

EXECUTIVE SUMMARY

3.00 Enacted

This past year has seen significant progress made towards enacting a number of IMF mandated reforms, that will have a considerable impact on fiscal transparency. The legislation that looks to be passed by the end 2003 addresses problems outlined last year such as the exclusion of a large proportion of public revenue and expenditure from the budget by means of separate funds, state enterprises, banks, and loan guarantees, and the inadequately documented budget. There is still a level of uncertainty as a result of previous economic crises; however it was these economic crises that sparked the efforts to increase transparency and to address a number of structural deficiencies.

The Public Financial Management and Financial Control (PFMC) Law -- a landmark development, approved in early December 2003 -- will address many deficiencies in the fiscal system. The aim is to harmonise the financial management and control system with international best practise. The law overhauls the entire system of budget preparation, execution, reporting and auditing. It should take effect at the beginning of 2004, and be fully implemented by 2005. It includes numerous innovations such as the introduction of: a new budget classification system that is in line with international standards (GFS 2001); a new accrual-based accounting system; medium-term budgeting (three year period); and performance-based budgeting. The law formalises the reporting process. The Court of Accounts will become the single, supreme audit body, and its scope of audit will increase. Additionally, the government's internal audit system is being overhauled. Once enacted, the law will have far-reaching positive effects on fiscal transparency. The new budget classification system was used in the preparation of the 2003 budget; however most reforms will start to take effect only now that the PFMC Law has been passed.

Additional bills are currently being prepared on public administration reform, which should improve transparency and efficiency in the provision of public services and will involve considerable decentralisation. The Banking Regulation and Supervision Agency's effectiveness has been strengthened and amendments have been made -- though are yet to be passed -- to the Court of Accounts Law.

There have been delays in the enactment of certain proposed reforms, including: the passage of the second phase of direct tax reform; the passage of legislation improving state enterprise governance; and the improvement of the public sector personnel system, including establishing an ethical code of conduct for civil servants.

Turkey's overall score has improved from 2.25 in 2002 to 3.00.

VENEZUELA

COMPLIANCE RATINGS

Fiscal transparency	*2003*	*2002*	*2001*
Clarity of roles	●●	●●	●●●
Availability of information	●●●	●●	●●
Budget preparation	●●	●●	●●
Accountability	●●	●●	●●
Score	2.25	2.00	2.25

OUTLOOK & COMMENTARY

The sway of political instability and economic recession will continue to determine progress in fiscal transparency. The lack of coordination between the government and political opposition has consolidated a framework whereby the Chavez administration implements ad hoc policies/legislation to secure both economic and political goals. This structure has proved contradictory on several occasions, diminishing the transparency with which the government carries out its legal functions and responsibilities.

Short-term improvements should be attained in data dissemination for the general government, while additional information on the non-financial public sector remains a medium-term objective. The main weakness will likely remain the lack of fiscal reporting for pension liabilities and quasi-fiscal operations from state-owned enterprises.

EXECUTIVE SUMMARY

2.25 Intent declared

Venezuela has taken some measures to improve fiscal policy transparency in 2003, but the economic recession and rise in political tension have had many adverse effects. The discretionary use of resources from the Investment Fund for Macroeconomic Stabilisation (FIEM), the atypical methods of issuing/allocating government debt, and the selective enforcement of procurement regulations and foreign currency sales are hindering efforts to attain the legal requirements of transparency. Further, several state-owned enterprises have been created to operate in sectors where private firms have reduced their activities owing to government-imposed market restrictions.

As part of its commitment to the IMF's General Data Dissemination System (GDDS), Venezuela has achieved improvements in making available information on all government levels, some state-owned enterprises and debt. The Ministry of Finance's Office of Public Finance Statistics (OEFP) has been leading the overhaul of the country's computerised systems in order to expand the coverage on central government data to include the operations of social security institutions and non-financial public enterprises. With technical assistance from international organisations, data on regional and local governments is now ready for publication, and collating this information into the general government data will start by early 2004. Nevertheless, major improvements are still needed in reporting budget execution, contingent and pension liabilities, and the fiscal risks undertaken by state-owned enterprises and financial institutions.

Venezuela's overall score has improved from 2.00 in 2002 to 2.25.